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Bitter Lesson For OPEC

Secret intelligence reports not only indicate that the oil cartel has been broken, but raise the suspicion that there never was a genuine oil crisis in the first place.

The 40-fold rise in oil prices since 1969 has had much to do with the present economic and political sickness of the Western World.

Yet there is proof all around us of the needlessness of it all—the oil glut everywhere, the disarray and vulnerabilities within OPEC. All the available evidence indicates that the present grief was unnecessary.

There is consolation only in the fact that the oil sheiks no longer can get together and decide arbitrarily how much they will gouge their captive customers this time around.

The skidding price of oil on the world market has threatened OPEC's monopoly-based economic dictatorship, if not the cartel's very existence. There are some experts who believe that the upcoming OPEC meeting in Vienna may mark the beginning of the end of the organization as a feared international power.

OPEC's problem, of course, is that its members, intoxicated by the ease with which they decreed one huge price increase after another, began blowing their petrodollars.

Now desperately overextended oil-producing countries like Nigeria and Mexico are scrambling to keep their economies afloat by selling their one source of wealth for whatever price they can get. They simply can't afford to cut back on production to keep prices up, as the Saudis and other oil producers with healthy financial reserves have been urging.

It is the Saudis, with their vast reserves of both oil and money, who seem to be taking their relative *nouveau pauvre* status the hardest. The Saudis, who once were the moderate voice of reason within OPEC, have been arguing earnestly for a united front to keep oil prices up.

The reason for this is simple: Saudi Arabia is in deep trouble itself. The Saudis are producing only half as much oil as they were a year ago, with a consequently drastic drop in revenue.

The result, the CIA reports, is that Saudi Arabia will actually have a budget deficit of about \$10 billion this year, instead of the huge surpluses it has grown accustomed to over the years. The CIA has gathered persuasive evidence that the Saudis are feeling the pinch. They have begun stalling on payments to contractors and delaying construction projects they have already committed themselves to.

Putting their ambitious public works projects on hold may save the Saudi rulers money, but there is an obvious political danger in this retrenchment. These expenditures are a means of diverting their subjects from dangerous thoughts of revolution on the Iranian model. The Saudi regime has raised its people's expectations in recent years, and can call a halt only at its own peril.

The stage is set for a fascinating confrontation at Vienna next week. Unlike past OPEC get-togethers, when the only thing to be decided was how hard to sock it to the Western industrial nations, this session will be a contest of desperation.

The Saudis will be trying desperately to persuade other OPEC members to agree to keep prices up by cutting production. Equally desperate, Nigeria and other economically distressed members will not want to cut production. For once, the rest of the world can fiddle while OPEC burns.

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